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Senate Bill 633 (as introduced 10-22-13)
Sponsor: Senator Bruce Caswell
Committee: Transportation

Date Completed: 11-12-13

CONTENT

The bill would amend the Michigan Vehicle Code to allow an individual to perform community service in lieu of paying a driver responsibility fee for certain violations, and require the State Treasurer to credit collected fees to the Department of Treasury (DOT) and the Department of State.

"Community service" would mean engaging in a useful and productive activity without compensation for a person other than a family member, including an entity organized under Section 501(c)(3) of the Internal Revenue Code, and community service offered through the Michigan Community Service Commission.

Under the Code, the Secretary of State (SOS) must assess a \$100 driver responsibility fee to an individual who accumulates seven or more points on his or her driving record within a two-year period, and a \$50 fee for each additional point.

Through September 30, 2012, a person who had driven without a valid license, or failed to produce proof of vehicle insurance to a police officer, was responsible for a \$150 or \$200 fee, respectively, for two consecutive years. The fees could not be assessed after that date.

If an individual fails to pay a driver responsibility fee within 30 days after the SOS mails notice of the assessment, his or her driving privileges are suspended.

Community Service Option

Under the bill, if an individual had been assessed a fee before October 1, 2012, under the circumstances described above, the individual could engage in 10 hours of community service in lieu of paying the fee.

To qualify for community service, the individual would have to obtain a community service form from the SOS or the DOT, complete the form, and submit it to the DOT by December 31, 2015. Any community service would have to be completed within 45 days after the application was filed. If a person engaged in community service but failed to successfully complete it within the 45-day period, the SOS would have to suspend his or her driving privileges. The individual would be allowed only one opportunity to complete the community service as an alternative for each fee owed. For good cause shown, however, the SOS could allow an individual to withdraw from community service before the 45-day period expired, in which case it would not count against the one opportunity allowed to perform community service.

Upon receiving verification of an individual's successful completion of community service, the DOT would have to waive the fee or any unpaid portion. The individual could request verification of successfully completing community service from the person with whom he or she engaged in community service.

A person who falsely verified community service, falsely requested community service verification, or submitted a community service form with knowledge that it was falsely verified, would be responsible for a State civil infraction and subject to a maximum fine of \$200.

The Secretary of State would have to make community service forms available to the public at all branch offices and on the SOS website, and provide the forms to the DOT.

If a person applied to the DOT for community service, the DOT would have to inform the Department of State that the individual intended to complete community service as an alternative to paying a driver responsibility fee. The SOS then would have to hold the fee in abeyance for 45 days. If the individual's license had been suspended for failing to pay the fee, the Department of State would have to reinstate the license, upon payment of a reinstatement fee.

The DOT would have to notify the Department of State as to whether a fee was waived, or the 45-day period had expired and the fee was not waived. If the SOS were notified that the fee was not waived, the Department of State would have to enter that information into its records and suspend the individual's license.

Fee Allocation

The Secretary of State must transmit collected driver responsibility fees to the State Treasurer. The Treasurer must credit the first \$8.5 million to the Fire Protection Fund and the remainder to the General Fund.

Under the bill, after \$8.5 million was credited to the Fire Protection Fund, the next \$1.5 million would have to be credited as follows: 1) \$500,000 to the Department of Treasury for administering the requirements of the bill; and 2) \$1.0 million to the Department of State for administering any ignition interlock program that it administered. The remainder would have to be credited to the General Fund.

MCL 257.732a et al.

Legislative Analyst: Glenn Steffens

FISCAL IMPACT

The bill could result in a revenue loss of approximately \$111.1 million in driver responsibility fee (DRF) revenue based on the amount of outstanding and uncollected fees as of October 2012 under Section 732a(1), 2(c), or 2(d). These fees are for having seven or more points on a person's driving record, driving without a valid or with an expired driver license, or no proof of insurance, respectively. Under the bill, people with these outstanding DRF fees that were assessed before October 1, 2012, could have the fees waived by completing 10 hours of community service within a 45-day period after filing an application to do so with the Department of Treasury.

Under the bill, these individuals would be allowed to perform community service as an alternative to paying the DRF fees as outlined above. Based on October 2013 data, there was an estimated \$7.5 million in uncollected fees for people assessed seven or more points on their driver record. There was approximately \$17.6 million in uncollected fees for driving without a valid license or with an expired driver license. There was approximately \$86.0 million in uncollected fees for the civil infraction of failing to obtain no-fault insurance or to

provide proof of insurance. Again, the sum of these uncollected fees as of October 2013 totaled approximately \$111.1 million, which would be the amount of revenue loss to the General Fund in total (not annually) if all of the people owing these fees chose to do community service under the bill.

The total amount of all driver responsibility fees assessed each year (including both first-year and second-year assessments) averages an estimated \$220.0 million. The collection rate for these fees averaged 56.0% for calendar year 2012, meaning that the total amount of funds collected averages an estimated \$123.2 million annually. Of those fees, all but \$8.5 million is deposited into the State's General Fund. The remaining \$8.5 million collected annually is deposited into the State's Fire Protection Fund, which supports grants to local fire prevention programs.

In addition to the \$8.5 million that already goes to the Fire Protection Fund, the bill would require that the next \$1.5 million of fee revenue be directed to the Departments of Treasury and State. A total of \$500,000 would go to the Department of Treasury to cover costs associated with administering the collection of the DRF fees and the community service program, while \$1.0 million would go to the Department of State to cover costs of administering the ignition interlock program. As a result the General Fund would receive \$1.5 million less annually from DRF fees than is currently received.

Any revenue from the proposed State civil infraction under the bill would be distributed to public libraries. The amount of any fee revenue is unknown.

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